

VZCZCXR07378
PP RUEHDE RUEHDIR
DE RUEHDO #0604/01 2371259
ZNY CCCCC ZZH
P 241259Z AUG 08
FM AMEMBASSY DOHA
TO RUEHC/SECSTATE WASHDC PRIORITY 8167
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RHMFIISS/DEPT OF ENERGY WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 DOHA 000604

SIPDIS

E.O. 12958: DECL: 08/24/2018
TAGS: [ENRG](#) [ELAB](#) [EPET](#) [EINV](#) [ECON](#) [OA](#)
SUBJECT: END TO ENERGY CONSTRUCTION BOOM COULD
FUNDAMENTALLY ALTER DEMOGRAPHICS

Classified By: Classified By: Amb. Joseph LeBaron, reasons 1.4 (b) and (d).

(C) KEY POINTS

-- Qatar's current gas-industry construction boom will soon end, or at least pause, leading to an exodus of hundreds of thousands of laborers, according to Qatar Chemical Company (Q-Chem) Deputy General Manager Don Lycette.

-- But demand in Qatar for a new generation of skilled workers will increase, as mega-projects boom here. The demand for skilled workers is still greater than supply, forcing companies to raise wages to retain laborers they have trained, Lycette said.

-- Natural gas feedstock for Qatar's industrial projects is now all committed, he added. It could take nine years before prospective future projects begin producing gas.

(C) COMMENTS

-- Demographic projections for Qatar are subject to factors beyond the energy sector. These factors include massive civil infrastructure development projects underway, and, in the longer term, Qatar's success at diversifying its economy.

-- That said, Qatar's moratorium on new North Field gas development until at least 2011 will certainly limit the potential for further industrial projects in the sector, thus potentially reducing the need for hundreds of thousands of workers in Qatar.

END KEY POINTS AND COMMENTS.

¶1. (C) Qatar Chemical Company (Q-Chem) Deputy General Manager Don Lycette told the Ambassador during an August 20 introductory meeting that his company is short of workers and would be building more, faster, if they could find additional skilled labor. (Note: Lycette is a secondee from Chevron Phillips which is a 49 percent owner of the Q-Chem joint venture with Qatar Petroleum. He has over 14 years of experience working in the petrochemical industry in the Middle East. Q-Chem has about 900 employees working on several petrochemical projects in Mesaieed Industrial City, south of Doha.) Lycette said most skilled construction supervisors are in their 50s or older but that the Gulf's current construction boom is forming a new, younger generation of skilled labor. Describing the desperate search for labor by construction contractors, he remarked that companies were "finding Chinese farmers and turning them into welders."

¶2. (C) Lycette echoed the observation from other Embassy business contacts that most current construction contracts in

Qatar are behind schedule and over budget. He noted that most laborers come to Qatar on one-year contracts and because of the demand for them around the Gulf and in other parts of the world, companies are having to raise wages to retain laborers after their initial contracts are up. Lycette cautioned, however, that living conditions in labor camps in Doha are still "awful." He estimated there are work stoppages or labor problems every eight weeks on average, though these are usually by small groups which are quickly broken up. Lycette judged that the Qataris keep much tighter control on labor than other Gulf states and quickly arrest and deport the leaders of any disturbances.

¶13. (C) Turning to Qatar's LNG-fueled economic growth, Lycette assessed that major industrial developments will soon end because there is no more gas feedstock available. With current gas production at over 30 million tons per annum (mta) and with ongoing projects bringing total output to 77 mta within 3 years, he believes Qatar may leave the North Field gas projects moratorium in place well after the official 2011 deadline. The Ras Laffan-based gas projects and the associated petrochemical and industrial projects in Ras Laffan, Mesaieed, and Doha's industrial area will be mostly finished in the next 2-3 years. At that point, "hundreds of thousands" of laborers could quit Doha for lack of work. Lycette projected there would then be a long void of no new industrial projects coming on line, as even if new gas extraction ventures are announced in 2011, they would take six years minimum to complete and start producing feedstock for associated industries.

¶14. (C) Lycette concluded by noting that Qatar had locked

DOHA 00000604 002 OF 002

itself into long-term gas contracts at prices which are cheap by today's standards. For example, Q-Chem has a 25-year feedstock agreement at less than USD 2 dollars per million btu, which is about one-fifth the current price for gas in Texas. (Note: This echoes Occidental Qatar President Ed Hanley's August 21 comment to the Ambassador that Qatari officials are not happy they have locked themselves into a low price for gas exports under the Dolphin project to the UAE and Oman). As a 51-percent owner of Q-Chem, Qatar Petroleum still benefits from the deal, but they are likely to be tougher in future contracts. Lycette noted that unlike Saudi Arabia, QP "nickels and dimes" its foreign partners on contracts and associated services. He attributes this to a younger generation of Qataris who are trying to "make a name for themselves" by bringing in larger profits for the company.

LeBaron